

Diplomacy by Show Trial: The Espionage Case of Edgar Sanders and British-Hungarian Relations, 1949–53

GÁBOR BÁTONYI

THIS article discusses the international consequences of the arrest and trial of British businessman and spy Edgar Sanders in Budapest at a critical juncture of the early Cold War. It is argued that the regime of Mátyás Rákosi — impelled by economic and prestige motives, and buoyed by making Hungary a ‘front country’ in the regional conflict with Yugoslavia — turned a fabricated anti-American espionage case into a reckless diplomatic campaign against the United Kingdom. It is shown how hostility towards the Labour government, and concern about British interference in Hungarian affairs, contributed to this calculated provocation.

Sanders was convicted of espionage and sabotage on the basis of a ‘confession’ in court. His defence counsel was limited to pleas in mitigation, and the defendant was sentenced to thirteen years in prison. The failed attempts to free the English prisoner led to a breakdown in bilateral relations and a British trade embargo. Hungary’s ailing economy was starved of much-needed hard currency as a result. Undoubtedly, this was offset by short-term gains from the nationalization of British property and the cancellation of pre-war debt; still, the forfeiture of the British market had lasting implications for Hungary. By contrast, Britain’s loss of soft-currency food supplies proved to be a temporary inconvenience.

Gábor Bátonyi is a Lecturer in History at the University of Bradford.

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The related trial of American executive Robert Vogeler and its impact on the United States have received extensive coverage in both Hungarian- and English-language sources. By comparison, the Sanders case in its many aspects — the provocation of the United Kingdom; the role of the Soviets and their Hungarian clients in orchestrating psychological warfare against the British; the intelligence dimensions; the diplomatic, economic and cultural repercussions — has attracted little scholarly attention in Hungarian historiography and even less in Anglo-American historical literature.¹ This article is the first comprehensive treatment of the case.

'Hostile actions and plans'

There are few examples of an intractable conflict between two states arising from the persecution of an individual. Tribunals against spies, leading to incarceration or 'legicide',² rarely feature in the grand narratives of diplomatic history. Arguably, even the infamous Stalinist espionage trials in Moscow were inward-looking affairs, primarily intended for domestic consumption. Although the post-war Communist courtroom dramas in Eastern Europe, such as those of László Rajk in Hungary, Traicho Kostov in Bulgaria and Rudolf Slánský in Czechoslovakia, had a distinct foreign policy agenda, they were all designed to appeal to the local populace. For instance, the stated aim of the Rajk trial was to 'stir up patriotic hatred in the masses towards the imperialists and their clients'.³ In spite of the anti-American mantra that 'hostile actions and plans could not exist without ties with America',⁴ the Soviet Union and its satellites rarely went beyond nettling the capitalist 'enemy' by means of denunciation and minor provocation.

This is not to say that the Soviet authorities were averse to arresting and trying Westerners. In the spring of 1933 the secret police had seized six British engineers employed in Russia by the Metropolitan-Vickers Electrical Export Company, charging them with industrial sabotage, bribery and espionage. The trial, in truth, acted mainly as a deterrent to Soviet technical specialists. Several of the British defendants were bailed

¹ There are two good outlines of the Sanders case and its impact on Anglo-Hungarian relations, a conference paper in English and an article in Hungarian: É. Figder, 'Edgar Sanders: A British Spy behind the Iron Curtain', in L. Péter and M. Rady (eds), *British-Hungarian Relations since 1848*, London, 2004, pp. 281–88; A. Szőrényi, 'A brit-magyar diplomáciai kapcsolatok és a Sanders ügy, 1949–1953', *Valóság*, 49, 2006, 6, pp. 74–92.

² S. L. Carruthers, *Cold War Captives*, Berkeley and Los Angeles, CA, 2009, p. 136.

³ Budapest, Magyar Nemzeti Levéltár Országos Levéltára (hereafter, MNL OL), M-KS 276.f. 54.cs. 54.ő.e., papers of the Hungarian Workers' Party Secretariat, memorandum on propaganda, 7 September 1949.

⁴ J. Brent and V. P. Naumov, *Stalin's Last Crime: The Doctors' Plot*, London, 2003, p. 104.

before the trial, none were served with death sentences and two evaded punishment altogether.⁵ For all their bellicose rhetoric, Communist countries (which invariably vaunted their peaceful credentials) tended to shy away from appearing in the role of external aggressor.

As a rule, the countries within the Soviet orbit were prepared for skirmishes, but avoided major incidents. For the same reason, real spy cases were routinely resolved by behind-the-scenes deals, entailing expulsions or prisoner exchanges. Typically, these delicate transactions were concluded with a minimum of fanfare and the maximum of discretion throughout the Cold War. Yet in 1949 some of the newly established, unconsolidated Communist regimes of Eastern Europe suddenly displayed a more gung-ho approach. Launching a lurid publicity campaign against alleged foreign spies, they rushed headlong into a diplomatic fray. Whether on Stalin's orders or only with his tacit approval, they started to push relations with the West very close to or, in the matter of Bulgaria's relations with the United States, even beyond breaking point.⁶

'The avalanche is about to break'

'The die is cast', recorded the British Minister in Budapest on 1 February 1950, signalling the end of 'a nerve-racking state of suspended animation' in which he and his staff had languished since the autumn of the previous year. 'The avalanche of a "trial" is about to break', he added, correctly anticipating that a Hungarian law court would soon form the platform for a diplomatic attack on America. Whilst hoping to escape unscathed, British diplomats nonetheless braced themselves for the coming 'shower of mud'.⁷ In the 'Soviet nerve war' that preceded and 'accompanied the Korean adventure',⁸ Britain was an important secondary target; all satellite states were expected to prove their anti-British credentials, regardless of their economic and geopolitical position. In Bulgaria the Soviet Chief Security Adviser, Colonel Mitia Trifonov, devised a wild scenario in which Kostov, the former Bulgarian Minister President, was accused of

⁵ G. W. Morrell, *Britain Confronts the Stalin Revolution: Anglo-Soviet Relations and the Metro-Vickers Crisis*, Waterloo, ON, 1995; J. A. Getty and O. V. Naumov, *The Road to Terror: Stalin and the Self-Destruction of the Bolsheviks, 1932-1939*, New Haven, CT and London, 2010, p. 59.

⁶ Diplomatic relations between Bulgaria and the United States were broken off on 22 February 1950, the day after Robert Vogeler's trial ended. They were restored in 1959.

⁷ Kew, The National Archives (hereafter, TNA), FO 371/87814, G. A. Wallinger to A. Rumbold, 1 February 1950.

⁸ D. Smyth (ed.), *British Documents on Foreign Affairs*, Part IV, Series F, vol. 24, Bethesda, MD, 2003 (hereafter, B DFA), p. 49, Wallinger to E. Bevin, 4 August 1950.

conducting espionage for Britain. On further Soviet advice, the British angle was dropped from the case against him.⁹ Still, Moscow's clients were not passive executors of Stalin's wishes. Adopting the totalitarian method of 'diplomacy by abuse',¹⁰ some of them exhibited aptitude, and not a little bravado, belying their insecurity and slavish dependence on the Soviet Union. No Eastern European leader, in showcasing his foreign policy, was more adept at using 'initiative' as a substitute for 'independence' than was Hungary's sycophantic dictator Mátyás Rákosi.¹¹

Admittedly, on first acquaintance the General Secretary of the Hungarian Workers' Party had struck the new British Minister as being 'less of an ogre' than his counterparts in Bulgaria, Czechoslovakia and other satellite states. The diplomat had been impressed by Rákosi's 'steamroller type of English', 'supple intelligence' and 'definite feeling of sympathy for, and indeed understanding of, Great Britain'.¹² British observers who knew him better mistrusted Rákosi, looking upon him 'as the most Hitlerian figure of the present totalitarians, even in his more maudlin moments of *Liebe für England*'.¹³ As he consolidated his grip on power, the Communist leader revealed himself to be an implacable adversary of capitalism, and certainly no Anglophile. In late 1949 Rákosi drove his country to the brink of war with Yugoslavia. But this regional confrontation did not satisfy Stalinist Hungary's foreign policy ambitions. Intent on strutting the world stage, this small vulnerable country embarked on a futile, damaging mission to antagonize the West. In early 1950 the Hungarian Ministry of Foreign Affairs mounted a two-pronged propaganda assault: on the United States and the United Kingdom.

⁹ J. Baev, 'Stalinist Terror in Bulgaria, 1944–1956', in K. McDermott and M. Stibbe (eds), *Stalinist Terror in Eastern Europe: Elite Purges and Mass Repression*, Manchester, 2010, pp. 180–97 (p. 191).

¹⁰ E. Roman, *Hungary and the Victor Powers, 1945–1950*, Basingstoke and London, 1996, p. 261.

¹¹ L. Borhi, 'Some Questions on Hungarian-Soviet Relations, 1949–1955', *Hungarian Studies*, 14, 2000, 1, pp. 1–44 (pp. 5, 13–14).

¹² BDEA, p. 300, Wallinger to Bevin, 9 May 1949. During a trip by a Hungarian delegation to Washington in June 1946, Rákosi's reception was so favourable that the non-Communist delegates 'began to taunt him, insisting to his considerable embarrassment that they had received a more genuinely friendly and satisfactory welcome in the United States than in the Soviet Union'. The hospitality in London did 'not fall too far below Moscow standards' either, although some of the discussions were carefully arranged to take place 'behind Rákosi's back': TNA, FO 371/59024, Lord Inverchapel to the Foreign Office, 15 June 1946, J. Addis to J. Henniker, 4 June 1946, and C. A. Macartney to C. Warner, 17 June 1946.

¹³ The First Secretary, Hilary Young, is quoted by the new British Minister in Budapest, Geoffrey Wallinger: TNA, FO 371/78519, Wallinger to C. H. Bateman, 9 May 1949.

The scene for the dual offensive was set by a meticulously staged public show trial in Budapest. The main defendants in the legal drama were senior managers of the Standard Electric Company (a subsidiary of the American firm the International Standard Electric Corporation), which had been operating in Budapest since 1928. Understandably, in the Hungarian historical literature, the case is classified alongside 'economic' or 'sabotage' trials, which aimed at the nationalization of foreign enterprises.¹⁴ In this specific instance, however, the Rákosi regime was not satisfied with the summary expulsion of the American owners and the expropriation of the company's assets, then estimated at about \$8 million.

In fact, the Standard Electric Company was the single large Western-owned enterprise in Hungary that the Communist leadership was ready, for a while, to exempt from forced nationalization. Although adversely affected by the policy of 'suffocating foreign companies',¹⁵ the telecommunications firm, which was a key supplier of the Hungarian army, had not been bankrupted. Mindful of the needs of the military, Rákosi and his fellow Muscovite Ernő Gerő showed signs of pragmatism in their keenness to acquire cutting-edge technology. Hence, the Hungarian government was directly involved in negotiations to procure television, multi-channel radio and telephone networks. The Standard Electric Company was only seized when the Americans began to quibble about licences, drastically restricting the scope and prospect of large-scale technological transfer. The frustration of the Hungarian Communists was brutally apparent: one of the two Hungarian defendants sentenced to death was their own chief negotiator, a middle-ranking official, Zoltán Radó.

Clearly, there was an element of vengeance in Rákosi's crusade against American 'imperialism' in general and the Standard Electric Company in particular. Moreover, the trial furnished an opportunity for the seasoned old Bolsheviks, Rákosi and Gerő, to blame their own failure to secure a deal for Moscow on 'sabotage' and politically motivated obstruction by foreign capitalists. For all these reasons, the economic charges featured less prominently in the prosecution's case than the political ones. The defendants were accused of 'espionage', and during the legal proceedings several members of the American and British diplomatic missions in Budapest were falsely implicated in organizing a spy ring.¹⁶

¹⁴ Gy. Gyarmati (ed.), *Államvédelem a Rákosi korszakban*, Budapest, 2000.

¹⁵ Gy. Hegedűs, 'A brit tulajdon államosítása Magyarországon, 1945–1950', *Múltunk*, 52, 2007, 4, pp. 282–306 (p. 293).

¹⁶ S. Simon (ed.), R. Vogeler, *E. Sanders and their Accomplices before the Criminal Court*, Budapest, 1950, pp. 307–09.

What made the accusations especially intolerable from an American point of view was that, in a peculiarly blatant piece of Stalinist theatre, a United States citizen had been chosen for the starring role of 'enemy agent'. This was very unusual even in Eastern European courts. The script may have been predictable, but the casting was audacious. The familiar rogues' gallery of 'the right-wing Social Democrat, the Trotskyist, the priest, the fascist and the baroness'¹⁷ merely provided some local colour, whilst for the first time in the history of the Cold War, a representative of the United States played the arch-villain in open court.

The Rajk trial of 1949, the earliest in a series of espionage cases against 'Titoist' leaders in Eastern Europe, had already claimed an American casualty. Still, the fate of Communist Noel Field had not occasioned the State Department much anxiety.¹⁸ By contrast, Robert Vogeler was an imposing business executive with 'a robust American masculinity',¹⁹ a platinum-blond beauty queen for a wife and, most importantly, extensive connections in high places. He was a catch for the security services: an ideal candidate to appear as the humbled operative of an arrogant superpower. Although Vogeler's life was spared, his virile image was shattered. His cowed confession appalled and outraged the American public, contributing to the 'twitchy eagerness' of right-wing Republicans 'for a decisive showdown with the forces of communism'.²⁰

For less obvious reasons, the Hungarian authorities added a convenient British victim. By 1949 the sole senior foreign representative of the International Standard Electric Corporation residing in Budapest was an English auditor called Edgar Sanders. His continued employment and residency made it easy 'to hook in a British element in a primarily American affair'.²¹ Not leaving anything to chance, Rákosi availed himself of his special line to Stalin, asking in a ciphered telegram for last-minute approval and advice:

The extent of Anglo-Saxon espionage and sabotage has been revealed by the American and English spies Colonel Vogeler and Captain Sanders.²² The findings implicate six members of the United States Legation and

¹⁷ A. Szörényi, 'A Standard-per előzményei és előkészítése, 1948–1950', unpublished PhD dissertation, Pázmány Péter Catholic University, Piliscsaba, 2012, p. 201.

¹⁸ For a recent study of Noel Field, see T. Sharp, *Stalin's American Spy: Noel Field, Allen Dulles and the East European Show Trials*, London, 2014.

¹⁹ Carruthers, *Cold War Captives*, p. 141.

²⁰ *Ibid.*, p. 139.

²¹ BDFA, p. 302, Wallinger to Bevin, 22 February 1950.

²² The allusion to Vogeler's military rank was spurious.

five diplomats of the British Legation.²³ Sentencing will take place on 28 February. We will send a letter of protest to the two diplomatic missions on 2 March. [...] We will raise the question of whether they intend to recall their compromised staff. [...] Our next steps depend on the response of the United States Legation. We would be grateful for your opinion.²⁴

The Hungarian leader had the privilege of using this direct channel of communication, and sought to gauge Stalin's reaction on no fewer than twenty-two occasions. The Soviet dictator only replied sporadically. For example, he briefly acknowledged Rákosi's offer to send an entire field hospital to Korea.²⁵ But he never once referred to Britain or the trial of Sanders. Naturally, his silence was taken as a sign of consent. After all, in the wake of the spy scare triggered by the defection to Canada of Soviet cipher clerk Igor Guzenko, there were no grounds to assume that the Soviets objected to the conflation of espionage charges against the United Kingdom and the United States. Even so, the lack of instructions never failed to unnerve Stalin's clients. Rákosi lamented petulantly: 'The Soviet organs and authorities give little assistance, what is more they sometimes do not pay enough attention to the numerous spy groups that have been arrested by the Hungarians.'²⁶ From a Soviet point of view, the Hungarian security services needed no encouragement but rather a modicum of restraint; in the 1950s the supremely 'vigilant' State Security Agency (Államvédelmi Hatóság or ÁVH) investigated 924 espionage cases, or an average of two conspiracies a month.²⁷

Equally, there is no suggestion that Hungary was coerced into a diplomatic confrontation with Britain. Rákosi used his own initiative, demonstrating his 'mastery' of foreign affairs, whilst taking credit for his ruthless efficiency in matters of Stalinist 'justice'. He was immensely proud of both. He boasted of his grasp of international relations to a

²³ The Hungarian translation of Rákosi's telegram inaccurately describes the American mission in Budapest as an 'Embassy'. Only in November 1966 did the United States initiate an exchange of ambassadors with Hungary; the elevation of diplomatic relations to a higher level was then further delayed by the defection to the United States of János Radványi, the first nominated Hungarian Ambassador: L. Borhi, *Magyar-amerikai kapcsolatok 1945–1989*, Budapest, 2009, p. 470.

²⁴ J. M. Rainer, 'Távirat "Filippov" elvtársnak', in Gy. Litván (ed.), *Évkönyv VI. 1998*, Budapest, 1998, pp. 103–18 (p. 112), telegram no. 24 from M. Rákosi to I. V. Stalin, 18 February 1950.

²⁵ Rainer, 'Távirat "Filippov" elvtársnak', p. 115, Stalin to Rákosi, 13 July 1950.

²⁶ Borhi, 'Hungarian-Soviet Relations', p. 7.

²⁷ L. Borhi, 'Stalinist Terror in Hungary, 1945–1956', in McDermott and Stibbe, *Stalinist Terror in Eastern Europe*, pp. 119–40 (p. 130).

British diplomat, at the same time as presenting the Rajk trial as a personal triumph to the Soviets. In September 1949 Rákosi went so far as to disparage the Czechoslovak leaders for not having the stomach to undertake purges. He informed the Kremlin that Klement Gottwald and Rudolf Slánský were 'unwilling to bite into the sour apple'.²⁸ When Gottwald, under pressure from the Soviets, launched a witch-hunt and put his friend Slánský on trial, Rákosi found solace in a report about the incompetence of the Prague court.²⁹ Arguably, this competitive impulse of the dictator, which is rarely explored in the literature, was a defining feature of Hungarian Stalinism.³⁰

In the light of Rákosi's growing Anglophobia, Edgar Sanders, a multilingual traveller born in St Petersburg, was perfectly cast for the part of second villain. His British nationality and American employment made him easy prey in a Hungarian court of law. A cousin of the Hollywood star George Sanders, the unassuming English accountant of bespectacled, grizzled appearance may initially have been chosen for a minor supporting role. His legal case, however, turned out to be anything but a sideshow in an anti-American courtroom drama.

The conflict with Britain had been brewing since the latter stages of the Communist takeover in 1948. Throughout the following year British representatives in Budapest nerved themselves for a diplomatic face-off. Nonetheless, when the incident finally occurred in February 1950, it took the antagonism to an unanticipated new level. By naming the Financial Comptroller of Standard Electric, an Englishman, as a prime suspect in an international conspiracy, Hungary had voluntarily opened a second front in the psychological war on the West. As Imre Bárd, Vogeler's officially appointed 'attorney', bluntly told the audience at the trial:

I consider nearly superfluous on my part to point out that it is the Anglo-American capitalist imperialism that sits in the dock [...]. Indeed there hardly exist words adequate to express the indignation felt over the meanness of those who, in order to impede the magnificent constructive efforts of the people of a peaceful country, support institutions of espionage.³¹

²⁸ MNL OL, M-KS 276.f. 65.cs. 114.ő.e., papers of Rákosi's secretariat, Rákosi to M. Suslov, 8 September 1949.

²⁹ MNL OL, M-KS 276.f. 65.cs. 102.ő.e., papers of Rákosi's secretariat, documents on Czechoslovak-Hungarian relations, report by Ö. Betlen on the Slánský trial, 28 November 1952.

³⁰ Rákosi's diligent engagement in the construction of show trials beyond Hungary has been documented, fittingly, by a Russian historian: G. P. Murasko, 'Néhány ecsetvonás Rákosi Mátyás politikai portréjához', *Múltunk*, 44, 1999, 2, pp. 160–82.

³¹ R. A. Vogeler, *I Was Stalin's Prisoner*, London, 1952, p. 226.

Vogeler's fifteen-year prison term, as compared with the thirteen years meted out to Sanders, mirrored the Soviet priorities in their fight against capitalism. Still, in the detailed political brief that can be found in Rákosi's papers, 'Marshallised'³² Britain was singled out for the prosecutor's special notice. The espionage charges against British individuals and institutions formed a central plank of the whole indictment.

'Efficacy of the Sanders lever'

The fate of Sanders quickly became a sticking point in Anglo-Hungarian relations. The official claim that his release was a 'cardinal aim' of British foreign policy was not exaggerated.³³ Yet the moral, economic and political obstacles to the resolution of the conflict were numerous, particularly when the Hungarians decided to cash in and start haggling over the Western prisoners. British diplomats were acutely aware of the fact that the Hungarian readiness to settle the case of Vogeler by accepting a comparatively modest American offer, involving token political concessions, was a thinly disguised manoeuvre to heighten the pressure on Britain. The head of the British mission, Geoffrey Wallinger, observed acerbically: 'We have the strange spectacle of a senior Stalinist official repeatedly requesting one of his Majesty's Ministers to follow an American example of sweet reasonableness!'³⁴

Unable to resist the lure of the big stage, the Hungarian dictator and his right-hand man in the Ministry of Foreign Affairs, Andor Berei, endeavoured to sow mistrust between the United States and the United Kingdom. At the same time, blinded by dogma and Stalinist preconceptions, they assumed that Britain would always defer to mighty America in the end. Events proved their endeavours to be unavailing and their assumptions to be wrong. Despite the occasional bickering between the State Department and the Foreign Office about the effectiveness of their strategies, the Western powers worked closely together, notably with regard to critical policy responses. Wallinger alerted the Foreign Office at the outset:

They [...] hope to drive a wedge between us and the Americans and by reaching a bargain over Vogeler at relatively low cost to increase the

³² The expression was used by Rákosi on 27 October 1950 at a Central Committee meeting: MNL OL, M-KS 276.f. 65.cs. 12.ő.e.; see also the English translation of a press release by the Hungarian Ministry of the Interior, 24 December 1949: TNA, FO 371/87814.

³³ TNA, FO 371/100561, draft by H. A. F. Hohler of a letter to D. Sanders, 17 January 1952.

³⁴ BDFa, p. 316, Wallinger to K. G. Younger on Anglo-American relations with Hungary, 18 May 1950.

efficacy of the Sanders lever for achievement of the objectives of greater practical value to them. It therefore seems essential that every move by both the Americans and ourselves be closely coordinated. Mr. Davis [the head of the United States mission in Budapest] agrees in general with the above.³⁵

The two legations assisted each other and issued some joint responses. But when it came to Sanders, far from imitating the Americans, the Foreign Office held out against Hungarian blackmail. British diplomats 'cynically encouraged' the idea of a trade agreement in exchange for the prisoner, but Berei's attempts to turn the screw were counterproductive.³⁶ The Hungarian government mistook the apparent willingness to negotiate for weakness, grossly underestimating British indignation and reluctance to pay ransom to rogue states. The result was a net loss to Hungary. What the Communist regime gained from the trade agreement eventually concluded in 1956 was significantly less than what the British negotiators had freely offered before the Englishman's arrest in 1949.

The details of the negotiations, however, remained unknown to the public. The relentless efforts to free the prisoner were kept secret, too. In the United Kingdom the intermittent reports that appeared were considerably more muted than the press campaign run by Vogeler's wife in the United States. By the time of his release, Vogeler had become a household name in America, especially as he promptly jumped on the bandwagon of Joseph McCarthy, transforming himself into a 'professional anticommunist'.³⁷ Sanders, by contrast, only gave the odd interview upon his return to Britain; he was sheltered from publicity by his company and the security services alike. He was put in their care 'till the public had forgotten the case altogether, having little or no contact with the press throughout this period'.³⁸ Nevertheless, during his captivity in Hungary, the Foreign Office struggled to quell indiscreet family members, incautious journalists and disgruntled MPs.

In view of the prisoner's intelligence background, it was evident that too much media attention would have made both the official protestations about his innocence and the negotiations for his release more difficult. In fact, the British government had already suffered a huge embarrassment when, as early as 23 November 1949, the *Daily Telegraph* described the

³⁵ TNA, FO 371/87811, telegram from Wallinger to the Foreign Office, 12 April 1950.

³⁶ TNA, FO 371/95181, R. M. A. Hankey to W. Strang, 8 June 1951.

³⁷ Carruthers, *Cold War Captives*, p. 164.

³⁸ TNA, FO 371/106280, minute by J. J. Cooper, 20 May 1953.

captured businessman as 'a British Intelligence officer'.³⁹ To make things worse, information was leaked to the press about his service as a Captain in Field Security and in the Army Intelligence Corps during the Second World War. His post-war assignment to Hungary for the Allied Control Commission, ostensibly to visit British airmen's graves in the former enemy state,⁴⁰ also became public knowledge. As an analyst in the Southern Department wrote with dismay:

The Hungarian Government can now say that they have the evidence of our own press that he was an Intelligence Officer (at what period does not very much matter once tarred with this brush). They may well have obtained, of course, a full account of Sanders' background by interrogating him but they were, we feel sure, very grateful to have this confirmation 'served on a plate'. Indeed it may have helped them in breaking him down should he have put up a stout defence while under interrogation.⁴¹

The suspected source of the leaks was Sanders' sister Dagmar, who worked for the Naval Intelligence division of the Admiralty. As a Foreign Office clerk quipped irritably, she 'might have known better'.⁴² In reality, irrespective of who was responsible for the disclosures, there was nothing in the press coverage that Sanders, a trained interrogator himself, would not have told his tormentors voluntarily. He could safely dwell on his wartime activities, since they had no bearing on the legal case, nor did they compromise the post-war operations of the British espionage network behind the Iron Curtain.

Sanders had been investigated by different branches of Hungarian counter-intelligence long before his arrest.⁴³ He was believed to be in charge of a major operation in Hungary, but from the beginning the focus of enquiries was his role within the Standard Electric Company, tying him to the case of Vogeler and the Americans. Whether he worked for the CIA through the suspected cover of the International Telephone and Telegraph Corporation is a moot point.⁴⁴ At all events, his name was still on the

³⁹ TNA, FO 371/87814, minute by N. E. Cox, 14 December 1949.

⁴⁰ Sanders' brief, as an officer of the Allied Control Commission in Hungary, was to observe Hungarian and Soviet troop movements. He acknowledged as much during his trial: Simon, R. *Vogeler, E. Sanders and their Accomplices*, p. 90.

⁴¹ TNA, FO 371/87814, Southern Department response to the Information Officer at the Budapest Legation, 10 January 1950.

⁴² TNA, FO 371/87814, minute by P. Matthews, 13 December 1949.

⁴³ Szörényi, 'A Standard-per előzményei', pp. 82, 110–15.

⁴⁴ The International Telephone and Telegraph Corporation, which controlled the American parent company of Standard Electric, was suspected of being a cover organization for the CIA.

British Army List during his American employment.⁴⁵ This suggests that he continued working for British intelligence until his arrest. Given his military training, linguistic skills and knowledge of Eastern Europe, he was an obvious candidate for MI6.⁴⁶

What Sanders recounted to his interrogators about his wartime experiences merely confirmed their suspicions without in any way changing the main thrust of their questioning. Above all, the ÁVH officers were looking for proof of guilt and diplomatic connections; they had no knowledge of any British spy ring in Hungary. Besides, they were more interested in the process of shaping the script, on the basis of Soviet expert advice, than in Sanders' real activities.⁴⁷

Along with bright lights and sleep deprivation, the constant redrafting of 'confessions' was a tried-and-tested Stalinist method of brainwashing. The desired outcome was always the captives' cooperation in their own demise, the gradual wearing-down of their mental resources, the collapse of their resilience. What mattered from the Hungarian judicial point of view was that Sanders admitted to both charges of 'espionage and sabotage'. Although the Englishman's confession in court was rather mumbled, the 'revelations' and the emerging case against Britain were suitably incendiary. According to the indictment, published in English by the Hungarian State Publishing House, the British government was not only working hand in hand with the Americans in undermining the Hungarian economy, but also seeking strategic targets to bomb.⁴⁸ These nebulous charges made some officials in Whitehall hot under the collar, but were easy to rebut:

Mr Sanders was the victim of the same sinister technique of interrogation under pressure which has now become a familiar feature of political trials in satellite countries. His testimony was a compendium of distortions and lies such as he could have had no natural motive for making in court; in addition, his unusual choice of words and the eager manner with which he

⁴⁵ Figder, 'Edgar Sanders', p. 284.

⁴⁶ On the reutilization of British wartime agents in Eastern Europe, see K. Jeffery, *MI6: The History of the Secret Intelligence Service 1909–1949*, London, 2010, pp. 663–76.

⁴⁷ A group of fifteen Soviet advisers, headed by Colonel Sergei Kartashov, worked closely with the ÁVH from the autumn of 1949; some were personally involved in building the case against Sanders. The extent of their influence, however, is indeterminate. A bold suggestion to expand the probe to include another hundred people was resisted by the Hungarians. Presumably, Rákosi did not consider these Soviet intelligence officers senior enough to act as authentic spokesmen for Stalin. In any event, the two foreign prisoners remained at the heart of the investigation: Szörényi, 'A Standard-per előzményei', pp. 174–81.

⁴⁸ Simon, R. Vogeler, E. Sanders and their Accomplices, pp. 98, 110, 228–29, 238.

strove to secure his own conviction leave no doubt about the nature of the preparations to which he had previously been subjected.⁴⁹

For all the lack of hard evidence, Rákosi was convinced, and indeed taunted Nathaniel Davis, the American Minister in Budapest, that the Hungarian security services 'were onto something big'.⁵⁰ The more loudly the British and American consular staff demanded to see the prisoners, the more firmly they reinforced the Hungarian confidence in the guilt of the accused. Whether Vogeler or Sanders were in fact spies, the Foreign Office analysts themselves could only guess. Most of them considered that the American declarations of Vogeler's total innocence were less convincing than the more understated British denials of the charges. An official of the Southern Department simply accepted the Stalinist verdict that Sanders spied for the Americans: 'It is, I think, fairly clear by now that the main reason for Sanders' arrest was his work for American intelligence, and that his peccadilloes on our behalf would not, of themselves, have landed him in his present predicament.'⁵¹

Diplomats on the ground were less categorical. Wallinger, for one, whilst flatly rejecting all the charges against Britain, privately expressed his uncertainty that Sanders had 'no connexion with the American Intelligence Services'.⁵² These postulations are not supported by any documentary evidence, though. By contrast, some sources identify Edgar or 'Ted' Sanders as an MI6 operative, acting as a courier for the head of station, the Second Secretary of the Legation, Harry Morris.⁵³ It is a telling detail that, despite the prevailing spy hysteria, the Hungarian authorities failed to uncover the real SIS link in the British diplomatic chain in Hungary. As the British Minister opined in jest, under the frenzied conditions of psychological warfare, the distinction between diplomatic reporting, information-gathering and spying had grown blurred. In his valedictory despatch from Budapest, Wallinger advised his successor, Robin Hankey, 'to adjust his mind to the task of becoming an effective spy and an efficient agent'.⁵⁴

Regardless of the actual or assumed intelligence activities of Foreign Service personnel, the Hungarian propaganda campaign against Britain

⁴⁹ TNA, FO 371/87826, memorandum by Cox, 2 March 1950.

⁵⁰ TNA, FO 371/87816, minute by Cox, 20 February 1950.

⁵¹ Ibid.

⁵² TNA, FO 371/87816, telegram from Wallinger to the Foreign Office, 24 February 1950.

⁵³ S. Dorril, *MI6: Fifty Years of Special Operations*, London, 2000, p. 176; G. Elliott, *I Spy: The Secret Life of a British Agent*, London, 1998, pp. 224–30.

⁵⁴ TNA, FO 371/95197, Wallinger to H. Morrison, 21 April 1951.

was gaining pace by early 1950. Allegations of espionage were extended to service attachés, and the entire British Council. From late 1949 the indictment had been accompanied by a stream of notes from the Hungarian Ministry of Foreign Affairs, aiming 'to impugn His Majesty's Government itself'.⁵⁵ Vogeler's release was secured in return for minor concessions after he had served just over a year of his prison sentence; the fate of the incarcerated Englishman, however, was to lock Britain and Hungary into conflict for more than three and a half years. The unsavoury attempts to strike an economic or financial deal in exchange for Sanders went on throughout 1950–53 and even after Stalin's death.

What follows here is an outline of the causes of hostility between the Rákosi regime and two successive British governments, together with an assessment of the short- and longer-term diplomatic and economic consequences of this neglected episode of international history. In addition, some light is shed on the imperative of East-West trade on both sides of the Iron Curtain, the effects of war psychosis on the interaction of states, and the cultural legacy of the early Cold War.

'Cast thunderbolts on those who cast stones on you'

On 24 December 1949 the Hungarian Communist daily, *Szabad Nép*, sent its readers an unconventional seasonal greeting:

At Christmas it is particularly important to emphasise that peace cannot be defended on the basis of the principle 'Cast bread on those who cast stones on you' but by applying the principle: 'CAST THUNDERBOLTS ON THOSE WHO CAST STONES ON YOU.' Peace has to be defended in fight in order to spoil the pleasure war-mongers take in throwing stones. [...] The American Imperialists wish to 'liberate' us, Hungarian workers and working peasants, by all means. They repeatedly provoke us and interfere in our affairs. [...] The independent Hungarian People's Republic is not a Marshall country, nor an American and British satellite. The American General Staff, the American State Department and American Capitalism cannot dictate to us.⁵⁶

The author of this tub-thumping propaganda piece was József Révai, the chief theoretician of the Muscovite group in the Hungarian Workers' Party.

⁵⁵ TNA, FO 371/87814, Wallinger to A. Berei, 26 December 1949.

⁵⁶ TNA, FO 371/87814, official press digest of *Szabad Nép* released in English, 27 December 1949. It is not clear whether the creaky translation was supplied by Hungarian or British officials.

He used this festive occasion to forewarn of the coming show trial, which was certain to put Hungary on a collision course with the West. Without naming the prisoners, he announced that the Hungarian authorities had arrested British and American 'spies'. He also promised 'a firm stand' against all 'imperialist provocations'.⁵⁷

Although brimming with defiance and menace, Révai's message was pure bluster. According to a British estimate, as late as August 1950 the Hungarian army and air force were far from ready, 'either morally or materially, for a war on their own'.⁵⁸ Still, the hawkish rhetoric came from a senior official of a state renowned for its 'adventurer foreign policy tradition'.⁵⁹ A few years earlier this same country, disregarding geography and common sense, had declared war on the United States to impress Hitler. Admittedly, this time the sabre-rattling was just a bluff, despite the hurried military build-up that attended it.

The Hungarian Ministry of Defence's funding for 1951 rose by more than 84 per cent, and was duly noted by foreign observers. But even such lavish expenditure, which Hungary could ill afford, yielded at best a 'small but efficient force of local value to the Soviet High Command'. From a Western point of view, much more alarming was the bid 'to prepare the Hungarian minds for war by intensive propaganda',⁶⁰ which revealed a growing confidence in the invincibility of the Red Army. To quote another British report, 'the transformation of the Hungarian army from something usually associated with light opera to a military force [...] has been accompanied by a marked increase in aggressive utterances against the West'.⁶¹

Such Eastern European animosity and aggression were thoroughly unwelcome developments from a British perspective. For all its dependence on American support, the United Kingdom was keen to cultivate existing ties within the Soviet orbit, and pursued a more differentiated policy than did the United States. This distinctive diplomatic strategy may have seemed at the time to be a relic of the imperial past, but it had solid economic foundations. The inconvenient truth was that post-war Britain was temporarily reliant on trade with Communist regimes. As the Labour Foreign Secretary, Ernest Bevin, reminded his predominantly

⁵⁷ Ibid.

⁵⁸ BDEA, p. 332, Wallinger to Bevin, 4 August 1950.

⁵⁹ I. Pál, 'A Vogeler ügy', in T. Frank (ed.), *Gyarmatokból Impérium: Magyar Kutatók tanulmányai az amerikai történelemről*, Budapest, 2007, pp. 217–35 (p. 217).

⁶⁰ BDEA, pp. 333–34, Wallinger to Bevin, 4 August 1950.

⁶¹ TNA, FO 371/95174, Wallinger to Bevin, 29 January 1951.

Conservative, anti-Soviet staff,⁶² the continuation of trade with satellite states was a 'practical necessity for the United Kingdom', which outweighed the major political objections.⁶³

The trade treaty with Hungary, which was due to expire in 1951, provided British households with £5 million worth of food.⁶⁴ In December 1950 one irksome consequence of the trade embargo imposed on Hungary, the lack of 'turkeys for Christmas', was fretted over by a junior official.⁶⁵ A preliminary agreement reached in the middle of July 1949 would have furnished Britain with much-needed Hungarian agricultural products, including maize, sugar and sunflower oil, to the tune of £9.8 million, and industrial goods to the value of £2.9 million.⁶⁶ Clearly, the United Kingdom had a great deal more to lose from the disruption of trade than did the United States. For the same reason, 'the ludicrous prospect of a series of attritional expulsions'⁶⁷ from Eastern Europe was less of a threat to the United States than to the United Kingdom.

Loath to forfeit an important, though not irreplaceable, source of food supplies, the initial British attitude to Eastern European goading and posturing was restrained. Nonetheless, as Sir Anthony Rumbold observed in October 1949, relations with a couple of states had arrived at a critical juncture:

We have now got to a point in our expulsion war with Bulgaria and Hungary where we have got to decide whether to continue our tit-for-tat policy with the risk that it will end in a complete rupture of diplomatic relations, or whether to climb down and let our opponents win a moral victory.⁶⁸

The utility of reprisals was questioned by many in Whitehall, but the patience of the Labour government was sorely tested. As C. P. Mayhew recorded:

⁶² R. Smith, 'Ernest Bevin, the British Officials and British Soviet Policy, 1945-47', in A. Deighton (ed.), *Britain and the First Cold War*, Basingstoke, 1990, pp. 32-52 (pp. 32-33).

⁶³ *BDEA*, p. 52, Bevin's circular to HMG's overseas representatives regarding the British government's policy on East-West trade, 16 August 1950.

⁶⁴ *BDEA*, p. 298, annual review for 1949 by Wallinger, 12 January 1950.

⁶⁵ TNA, FO 371/87827, minute by D. P. Aiers, 22 December 1950.

⁶⁶ Hegedűs, 'A brit tulajdon államosítása Magyarországon', p. 298.

⁶⁷ TNA, FO 371/78311, memorandum by Rumbold, 5 October 1949.

⁶⁸ *Ibid.*

There has been considerable pressure in the House of Commons this year for a firmer policy towards satellite governments over their treatment of our Foreign Service personnel. On the other hand, I feel that many Members would be uneasy if we became committed to a long-drawn-out battle of expulsions with third-rate communist governments.⁶⁹

Notwithstanding the dismissive reference to 'third-rate [...] governments', the Foreign Office was at a loss how to respond to the awkward diplomatic challenges posed by these vexatious small states. It is noteworthy that the British government was not only reluctant to give up its diplomatic listening post in Sofia, but eager to discourage the State Department from closing the American Legation there. Apart from the 'lingering traces' of former Anglophile traditions in Hungary, the links with Budapest were of undeniable importance for Britain due to the sheer volume of Hungarian imports.⁷⁰ Complying with a request by the Board of Trade, the government of Clement Attlee showed an unwillingness to 'countenance anything' that would 'prejudice soft-currency sources of essential supplies [...] except perhaps as a last resort against some particularly monstrous action'.⁷¹ A high-ranking official worked on the rational, but entirely erroneous, assumption that economic considerations would prevail in Stalinist Hungary:

It is generally thought that the satellite governments would be only too glad to break diplomatic relations with us, provided the initiative were made to appear as coming from ourselves. I am not sure that this opinion does not need qualification. In the case of the Hungarians, they derive on the whole more benefit than we do out of trading relations and they must know that these would be severely hampered or completely stopped if no diplomatic missions existed.⁷²

Contrary to its reputed pragmatism, the Rákosi regime was not easily deterred from its suicidal policies by Western warnings, or indeed by economic prudence. The irrational, self-destructive nature of Stalinist rule in Hungary has been duly established in the historical literature.⁷³ Yet the

⁶⁹ TNA, FO 371/78311, memorandum by C. P. Mayhew, 18 October 1949.

⁷⁰ TNA, FO 371/100560, minute by Hohler, Northern Department, Foreign Office, 13 February 1952.

⁷¹ Elliott, *I Spy*, p. 183.

⁷² TNA, FO 371/78311, memorandum by Rumbold, 5 October 1949.

⁷³ Gy. Gyarmati, *A Rákosi korszak*, Budapest, 2011, p. 219.

Muscovite 'troika' that governed the country had no intention of giving up all prospect of economic interaction with the West. The maintenance of commercial ties was regarded as a necessity. For the 'colourless', 'humourless' bureaucrat Ernő Gerő, trade with capitalist countries was also a 'special fight'.⁷⁴ This 'intelligent but narrow minded' satrap of the Hungarian economy was ready for a contest, even if Hungary was bound to lose.⁷⁵

'The curtain is getting visibly thicker'

Arguably, the leaders of the Hungarian Workers' Party were spoiling for a fight with the Labour government. Rákosi candidly noted in his memoirs how Attlee's electoral victory of 1945 had boosted the morale of the anti-Communist left in Hungary. 'Our Social Democrats hailed the electoral victory as their own and with good reason', he maintained.⁷⁶ Consequently, instead of trying to capitalize on the disagreements between Labour and the Tory opposition, or between Bevin and his markedly more anti-Soviet advisers, Hungarian propaganda vigorously targeted the British left. The preoccupation with enemies within the working class was part and parcel of the Bolshevik tradition, and the Socialist-Communist antagonism was at the heart of the political struggle in Hungary, starting at the micro level of 'shop-floor politics'.⁷⁷ Rákosi, however, had some deeper underlying historical and personal motives for fastening upon the Labour government as a leftist foe, and for opposing any British interference in Hungarian affairs.

Britain's influence on Hungarian politics had been strong throughout the interwar years. Accordingly, Hungary refrained from declaring war on the United Kingdom. In turn, when His Majesty's Government at Stalin's insistence had declared war on Hungary, inflated expectations and cherished illusions of British sympathy still persisted amongst the Hungarian political elite. Some hopes stayed alive even as Royal Air Force planes pounded Budapest, an act that had been sanctioned partly to dispel those very hopes. As a Special Operations Executive document urged in November 1943:

⁷⁴ BDEA, p. 318, W. H. Young to Younger, 9 June 1950.

⁷⁵ BDEA, p. 282, A. K. Helm to Bevin, 18 January 1949.

⁷⁶ M. Rákosi, *Visszaemlékezések, ii: 1940–1956*, ed. I. Feitl et al., Budapest, 1997, p. 193.

⁷⁷ M. Pittaway, *The Workers' State: Industrial Labor and the Making of Socialist Hungary, 1944–1958*, Pittsburgh, PA, 2012, p. 85.

As soon as it is technically possible, targets in HUNGARY should be bombed by [the] RAF. This bombing would show the 'Surrender Group' that the British are serious when they say that HUNGARY is their enemy. Bombing would shatter their complacency, and bring home both to the 'Surrender Group' and to Hungarian public opinion the desperate situation of their country.⁷⁸

After 1945 British attempts to slow down the Communization of Hungary were rather half-hearted. In the spring of 1946 a British parliamentary delegation visited Hungary, and sharply criticized the British political mission, which operated under the aegis of the Allied Control Commission, for not capitalizing on 'the very high prestige enjoyed by Great Britain in Hungary immediately after the war'.⁷⁹ But even before the ratification of the peace treaty with Hungary allowed normal diplomatic relations to resume, the British representative in Budapest was on occasion happy 'to pull up the Russians' when they rode 'roughshod over our interests'.⁸⁰ British influence thus constituted a source of some anxiety for the Communists, especially in view of Labour politicians' overt interest and covert involvement in the workings of the Hungarian Social Democratic Party (Magyarországi Szociáldemokrata Párt or MSZDP).⁸¹

Unlike the Americans, who embraced the anti-Communist opposition of the remaining parties of the right, in particular the Hungarian Independence Party of Zoltán Pfeiffer, the British opted to cultivate close links with the 'moderate left'. The then head of the British mission in Budapest, Knox Helm, categorically stated: 'any hope must lie with the Social Democrats.'⁸² In London the MSZDP was seen by many as the only credible force to halt or slow the Communist takeover, whilst the Hungarian Social Democrats, naturally, 'looked to their British counterparts for help and inspiration in their fight for survival'.⁸³

⁷⁸ TNA, HS4/91, memorandum by SOE Cairo on the situation in Hungary, 5 November 1943.

⁷⁹ TNA, FO 371/59050, report by the British parliamentary delegation that visited Hungary between 23 April and 5 May 1946.

⁸⁰ TNA, FO 371/59007, report by Helm, 29 July 1946.

⁸¹ S. M. Max, *The United States, Great Britain, and the Sovietization of Hungary, 1945–1948*, Boulder, CO and New York, 1985, pp. 119–20; U. J. McStea, 'Slowing Sovietization: The Labour Party, the Hungarian Social Democrats and the Elections of 1947', *European History Quarterly*, 36, 2006, 3, pp. 350–70.

⁸² TNA, FO 371/67179, Helm to Mayhew, 6 June 1947.

⁸³ É. Haraszti-Taylor, *Britain and the Hungarian Social Democrats, 1945–1956*, Nottingham, 1996, p. xi.

The British fixation with the MSzDP was reinforced by leftist émigré groups, as well as by the first Hungarian Minister in post-war London, István Bede, and another Hungarian diplomat, Vilmos Böhm. Regularly leaving his ministerial post in Stockholm, Böhm had privileged access to British government dignitaries, providing them with detailed information on domestic Hungarian affairs. Once he was received by Bevin himself. Seeking political advice and moral support in dealing with the Communists and their Soviet sponsors, he had several meetings with Denis Healey, one of which lasted for seven hours. In a letter to Healey, he requested British backing in the Security Council for Hungary's membership of the United Nations, in direct contravention of Stalin's will.⁸⁴ The MSzDP did not hide its British orientation, notably producing an English-language bulletin to broaden its appeal in Britain.

Official party connections and secret political contacts aside, a number of prominent Hungarian Social Democrats had worked for SOE during the war. Some of them had British intelligence ties even after the war.⁸⁵ This was more than enough for the Communists to launch a twin assault on British Labour and the MSzDP, using the time-honoured Stalinist theme of 'espionage'. The disappearance in the autumn of 1949 of four Social Democrats, including György Pálóczi-Horváth and Tamás Révai, both former SOE officers, was the earliest indication of the anti-British purpose of the coming wave of police persecution. Although the wartime intelligence networks had already been exposed and none of the detainees could be linked to active British service, the whole MSzDP leadership became tainted by association.⁸⁶

Bizarrely, Rákosi alleged that the British and Hungarian Socialists had colluded with the Prince Primate, Cardinal Mindszenty, a dyed-in-the-wool conservative cleric, famed for his loathing of the post-war left.⁸⁷ Stretching their credibility to the limit, the Communists set upon three enemies, Britain, the Catholic Church and the MSzDP, at the same time. Along with 'every conceivable villain', the Labour government featured prominently in the two big show trials of 1949 in Hungary. Not only was there a British angle to the Cardinal's indictment, but also to the internal

⁸⁴ Böhm Vilmos *Válogatott politikai levelei*, ed. É. Szabó and L. Szűcs, Budapest, 1997, p. 395, V. Böhm to D. Healey, 6 October 1947.

⁸⁵ Haraszti-Taylor, *Britain*, pp. 100–01, Wallinger to the Home Office, 28 June 1948.

⁸⁶ TNA, FO 371/78522, minutes by Cox, 23 November 1949, and N. Bicknell, 2 December 1949.

⁸⁷ TNA, FO 371/78519, report by Helm on his farewell visit to Rákosi, 18 February 1949.

Communist affair of László Rajk.⁸⁸ Tellingly, the foremost domestic crises in Hungary all prompted Communist mud-slinging against Britain and the Labour government.

What the British Legation feared most was a mass trial of Social Democrats. In a report about 'the arrest of Hungarians with previous United Kingdom connections' on 25 October 1949, Wallinger expressly warned the Foreign Office that 'it was quite likely that his Majesty's Government and this Legation would figure as a major villain in a forthcoming trial'. The Legation had accurate information about Rákosi's plans to eliminate 500 leading members of the party. Nevertheless, it came as a shock when Árpád Szakasits — the very politician the British Foreign Office had identified as Moscow's stooge in the MSzDP, strongly advocating his speedy removal from the party's leadership — was charged as a British agent.⁸⁹ The ÁVH had specific orders to force out of Szakasits a confession that he was recruited as an SOE operative by Basil Davidson in 1939.⁹⁰ It would seem that in Rákosi's scheme, the role of 'British spy' extended potentially to anyone affiliated with the Hungarian Social Democrats.

The British Legation, so as not to endanger the lives of the two most prominent Anglophiles, refrained from all further communication with Antal Bán and Anna Kéthly. Eventually, in several waves, 431 Social Democrats were ordered to stand trial.⁹¹ On Stalin's explicit instructions to Rákosi, most of them were tried and sentenced in closed court sessions.⁹² Some died during secret police interrogations; others remained in detention without trial. With regard to this case, Stalin was uncharacteristically forthcoming with his 'advice'; he approved of arrests, but not of a publicity campaign.

Even so, in 1950 Rákosi went so far as to issue a stinging attack on four prominent Labour figures, including Morgan Phillips and Denis Healey, accusing them of 'having organised Hungarian Social Democrats as spies for the British and American Intelligence Services'.⁹³ These sweeping allegations against the British left emanated from a politician who, since his trial in 1926, had been a cause célèbre amongst Labour activists.

⁸⁸ BDEA, p. 311, W. H. Young to C. R. Attlee, 27 September 1949.

⁸⁹ TNA, FO 371/87826, Wallinger to Bateman, 8 February 1950.

⁹⁰ Zs. Kádár, 'A magyarországi szociáldemokrata perek története', *Múltunk*, 41, 1996, 2, pp. 3–48 (p. 20).

⁹¹ Borhi, 'Stalinist Terror in Hungary', p. 130.

⁹² Rainer, 'Távírat "Filippov" elvtársnak', p. 114, telegram from Stalin to Rákosi, 23 June 1950.

⁹³ TNA, FO 371/87827, statement by the Labour Party Press and Publicity Department, 1 November 1950.

Worldwide protest and British legal assistance had helped to save him from the death sentence handed out at his retrial in 1933.⁹⁴ The bitter irony of Rákosi's volte-face was not lost on Phillips:

In 1926 the Labour Party joined other members of the Labour and Socialist International in sending a telegram to the Hungarian Government [...]. It stated: 'The workers of all countries recognise in the methods adopted against the accused in the trial of Rakosi a policy of unjustifiable cruelty and of conscious provocation.' No doubt, when the time comes, the Cominform will use this telegram to prove that Mr. Rakosi's connection with the American and British Intelligence Services is long-standing, and was merely renewed during his visit to America and Britain in 1946. It will not, of course, be forgotten that I myself and Mr. Healey had long talks with Mr. Rakosi in Budapest during our visits to Hungary in 1946 and 1947.⁹⁵

The mischievous reference to Rákosi's own vulnerability was sure to rankle. Whilst it was judged in British circles that Stalin reposed 'as much trust in M. Rákosi' as he was 'capable of reposing in anybody not directly and physically under his thumb',⁹⁶ it did not necessarily follow that the Hungarian leader was entirely safe. On the contrary, Rákosi's vilification of his erstwhile supporters in Britain could be seen as a classic example of insecurity-based aggression. Not for the last time, however, he strayed beyond the Kremlin's expectations, positively revelling in the personal brawl with the Labour men. He remarked to a British diplomat that he was itching to 'have a go at Mr Bevin', too.⁹⁷

According to a British communiqué, the Hungarian crusade against the Labour Party was an integral 'part of a carefully planned campaign to destroy the faith of the Hungarian workers in democratic socialism'.⁹⁸ Undoubtedly, the ideological rift between British Socialists and Hungarian Communists profoundly affected relations between the two states.

In Britain the former Permanent Undersecretary of the Foreign Office, Robert Vansittart, took it upon himself to respond to Hungarian accusations with equal ferocity. In the House of Lords he led the way in demanding drastic sanctions, including the severance of relations with

⁹⁴ G. Paloczi-Horvath, *The Undefeated*, London, 1993, p. 119.

⁹⁵ TNA, FO 371/87827, statement by the Labour Party Press and Publicity Department, 1 November 1950.

⁹⁶ BDEA, p. 341, Wallinger to Attlee, 7 September 1949.

⁹⁷ TNA, FO 371/78519, report by Helm on his farewell visit to Rákosi, 18 February 1949.

⁹⁸ *Ibid.*

Hungary. He particularly objected to the tone of the criticism of the Labour Foreign Secretary by Iván Boldizsár, the senior Foreign Ministry official in charge of the Hungarian publicity campaign:

Mr. Boldiszar [*sic*] described the Secretary of State for Foreign Affairs as 'this Labour lackey of Western Imperialism'. I really do not see why we should stand any more of that insolence. I will just give Mr. Boldiszar a 'clout' in passing and then proceed to other matters. His name is not Boldiszar; it is Blau — 'Little Boy Blue,' in fact. His family were so snobbish that they thought the original name was not good enough for them. [...] When one is such a snob one does not with advantage talk about 'lackeys' — especially when one has been accommodating and submissive as long as the Germans were about.⁹⁹

Despite the unpleasant undertones of his outburst, the one-time diplomatic adviser of the British government had every reason to be riled by Hungarian jibes. His observation that the Foreign Office was not 'conditioned' to cope well with the Eastern European propaganda offensive was also apt. Although the BBC and the British press used some of the material supplied by the British Legation in Budapest, the Communist insults and insinuations were rarely reciprocated. In Vansittart's belligerent view, this was 'fighting the "cold war" with both hands tied behind our backs'. He was extremely touchy about allegations of British espionage, which were made by the Bulgarian and Hungarian regimes alike. He did not mince his words in a House of Lords debate:

What constitutes espionage in Totalitaria? All totalitarians hide banalities as squirrels conceal nuts. The most ordinary agricultural platitude is a State secret. And so, if anyone behind the Iron Curtain should hum 'Mary, Mary, quite contrary. How does your garden grow?' that is espionage; and if Mary answers, she is a traitress. And if you should hum 'Little Boy Blue,' that is *lèse-majesté*. I am so sick of all this nonsense that I am going to carry the war into the enemy's country to-day. There is going to be some hard hitting in return for all that my old Service has endured abroad.¹⁰⁰

Vansittart's rage and the declaration of his private war against Hungary were not only sparked by the defamation of the Labour government. His outpourings coincided with the increase of police terror, the nationalization

⁹⁹ *Hansard*, HL, series 5, vol. 161, col. 227, 9 March 1949.

¹⁰⁰ *Hansard*, HL, series 5, vol. 161, col. 228, 9 March 1949.

of foreign companies and, above all, the arrest of Sanders in the same year. In Budapest British journalists, such as the *Daily Worker* correspondent Edith Bone, were disappearing and Hungarian employees of the Legation were being seized by the ÁVH.¹⁰¹ Wallinger recorded gloomily:

The curtain is getting visibly thicker. Practically no day goes by but that some new unpleasantness comes to light affecting our Hungarian employees, acquaintances, or servants. It is very ham-handed stuff, but the effect on these Hungarians is nonetheless real: contact of any kind with the West is either exploited (for report to the police, etc.) or eradicated; and I cannot think that our freedom to move around the country, publish and circulate our bulletin, and maintain a library with British periodicals and books, can last much longer.¹⁰²

Managers and key employees of local subsidiaries of British companies, including Shell, Unilever, Dunlop, Cunard and several smaller firms, were kept under constant police surveillance. Most of them were accused of financial irregularity, sabotage and fraud; some were charged and imprisoned. Behind such harassment there was always a thinly disguised profit motive. As the Hungarian historian László Borhi has shown, the 'inter-play of "practical" and "ideological" factors' was typical of the Rákosi regime, as well as being vital for 'the Sovietization of the economy'.¹⁰³ In December 1949 a government decree provided the simple legal framework for what, in Western eyes, 'amounted to confiscation'. It made it 'practically impossible for foreign companies either (a) to continue working or (b) to sell out'.¹⁰⁴ Although the future of the Standard Electric Company was an American-Hungarian affair, the precarious position of Sanders as a Budapest resident meant that any police persecution gave cause for immediate British concern.

The capture of Sanders was different from all previous cases involving British people in Budapest. Upon leaving the fashionable Gerbeaud coffee house, he was bundled into a black saloon in broad daylight, only 150 yards from the safety of the British Legation.¹⁰⁵ Once his arrest was actually acknowledged by the Foreign Ministry, the seriousness of the charges

¹⁰¹ E. Bone, *Seven Years Solitary*, London, 1957.

¹⁰² TNA, FO 371/78522, Wallinger to Rumbold, 25 September 1949.

¹⁰³ L. Borhi, *Hungary in the Cold War, 1945-1956: Between the United States and the Soviet Union*, Budapest and New York, 2004, pp. 184-85.

¹⁰⁴ TNA, FO 371/87826, Foreign Office memorandum on Anglo-Hungarian relations, 5 January 1950.

¹⁰⁵ Elliott, *I Spy*, pp. 225-26.

became evident from the Hungarian refusal to allow either the Consul or a British legal representative to visit him for the whole three months of the investigation. After some legal dispute, requests to defend Sanders in court by a British lawyer, Mervyn Griffith-Jones, were also denied. The British Minister reminded Rákosi that, in the trial of Georgi Dimitrov, even the Nazis had allowed foreign legal representation, but his self-styled 'smart Alec' argument was brushed aside.¹⁰⁶

The head of the American diplomatic mission instantly feared the worst. By contrast, British officials hoped, and went on hoping until just before the trial, that Sanders would somehow evade the glare of a Stalinist courtroom. As a result, Wallinger was forced to play a waiting game, and to let his American colleague lead the initial negotiations with the Hungarian authorities, even though this was the kind of situation British diplomats behind the Iron Curtain tried their utmost to avoid.

Notwithstanding the close cooperation and friendship between Davis and Wallinger, the material interests and influence of the United States and the United Kingdom in this part of the world differed markedly. Besides, the British Minister had a specific source of anxiety. Quite apart from his MI6 links at the Legation,¹⁰⁷ the captured Englishman had a wartime record in military intelligence, which would expose him to danger in any Communist show court.¹⁰⁸

'Psychological ghetto'

Edgar Sanders was not the first British subject to be accused of espionage in post-war Hungary. Nor was he the first businessman whose work for British intelligence had little to do with his arrest or with the espionage charges against him. Kavan Elliott, representative of the chemical firm Unilever and another unofficial MI6 asset behind the Iron Curtain, had already been seized on 24 September 1948.¹⁰⁹ Unlike Sanders, however, he was released after twelve days in custody, and expelled from Hungary, albeit having been 'unmasked' as an enemy agent in the press. In a recent biography of Elliott, written by his son, much is made of the English spy's love affair with a Hungarian woman, who was used by Hungary's security services to blackmail him into working for them.¹¹⁰ The same

¹⁰⁶ TNA, FO 371/87816, Wallinger to Bateman, 15 February 1950.

¹⁰⁷ Dorril, *MI6: Fifty Years of Special Operations*, p. 176; Elliott, *I Spy*, pp. 224–30.

¹⁰⁸ Figder, 'Edgar Sanders', p. 284; A. Szörényi, 'Adalékok az angol katonai hírszerzés történetéhez Edgar Sanders ügyének tükrében', *Hadtörténelmi Közlemények*, 122, 2009, 3, pp. 731–43.

¹⁰⁹ Elliott, *I Spy*, p. 181.

¹¹⁰ *Ibid.*, pp. 230–31.

individual, Márta Waldbauer, was also associated with Sanders, whom she privately described as 'an amiable bear of a businessman'.¹¹¹ Waldbauer and Sanders were supposedly arrested together, although from the documents it is clear that it was she who had drawn the attention of Hungarian counter-intelligence to the Englishman.¹¹² To what extent Sanders' lot was influenced by his connection to Elliott and his lover is open to question. In any case, the treatment of real spies and blameless British businessmen in the notorious ÁVH headquarters at 60 Stalin Street (now home to the House of Terror Museum on Andrásy út) was fairly comparable.

For instance, Charles Lamerton, manager of Apenta, a Hungarian subsidiary of the Apollinaris Company Limited, which had been producing a bitter soft drink in Hungary since 1910, suffered a very similar ordeal. Shortly after his firm was nationalized, he was seized in the Gellért Baths on 11 April 1950. During the interrogations he was accused of observing the arrival and departure of 'planes at the Budaörs airfield' from his office window.¹¹³ The 60-year-old man was blithely told not to expect any help or protection from the British Legation. Despite being innocent of all charges (no matter how ludicrous), he was only released because of failing health. In London he volunteered for a debriefing at the Foreign Office, where he provided a lucid account of his harrowing experience. There could no longer be any doubt about the Stalinist premise of the Hungarian secret police: Western 'businessmen, concealed under the high-sounding title of general manager', were all taken for 'genuine gangsters' and spies.¹¹⁴ Even so, in British espionage cases before that of Sanders, the Communist regime in Hungary would omit to press charges when threatened by Britain with a cessation of commercial relations. By the end of 1949 Britain had no such economic deterrent on which to rely.

The arrest of Sanders on 21 November 1949, culminating in his arraignment on charges of espionage and sabotage on 17 February 1950, was the diplomatic 'avalanche' of which Wallinger had warned.¹¹⁵ The polite enquiries of the Minister and of his First Secretary, Hilary Young, about the whereabouts of the prisoner, and the nature of the impending charges, met with stalling from Berei. The Assistant Secretary of State was a tough negotiator burdened with a 'monolithic Stalinist conscience'

¹¹¹ Ibid., p. 225.

¹¹² Budapest Főváros Levéltára, Standard V-600/20 170, notes of the interrogation of M. Waldbauer, 19 January 1950; Szörényi, 'A Standard-per előzményei', p. 81.

¹¹³ TNA, FO 371/87828, W. H. Young to Lord Talbot de Malahide, 28 April 1950.

¹¹⁴ TNA, FO 371/87814, English translation of a press release by the Hungarian Ministry of the Interior, 24 December 1949.

¹¹⁵ TNA, FO 371/87814, Wallinger to Rumbold, 1 February 1950.

and imbued with a 'loathing of the West'.¹¹⁶ Thriving on the 'poker-game atmosphere', he emerged as a key player in the diplomatic manoeuvres against the West.¹¹⁷ He is deemed by Hungarian historians to have been more powerful than any of his superiors in the Foreign Ministry. After all, a succession of Hungarian foreign ministers was purged, arrested, demoted or reshuffled by Rákosi at will. The British Minister's assessment of his crafty opponent is revealing:

There exists, I think, a certain basis of mutual respect between Mr Berei and myself; and this has the fortunate effect that, though we continually find ourselves having to say hard things to one another, we contrive to maintain some measure of cordiality and to conclude our interviews without undue rancour. This does not, of course, mean that, if and when the time comes for Mr Berei to make to me some particularly unpleasant announcement, any personal considerations would have the slightest effect upon his monolithic Stalinism; and I trust that my own convictions would prove to be equally staunch.¹¹⁸

For all the respect that Wallinger accorded his regular sparring partner, Berei was one of the architects of Hungary's diplomatic offensive. He was also the mouthpiece of the Stalinist regime. Unmoved by humanitarian concerns, he robustly defended the ÁVH's practice of refusing a foreign detainee consular access, medical assistance or legal protection. In reprisal, on 19 December 1949 the British government decided to suspend trade talks with Hungary. Economic exchanges between the two countries ended virtually overnight. This single decision hurt Hungary more than the whole range of punitive measures introduced by the United States. The volume of British imports from Hungary dropped from £6.8 million in 1949 to a 'mere trickle' of £12,000 in 1952.¹¹⁹ Rákosi's reaction was wholly predictable. As Wallinger reported:

I would guess that the reason why he has lagged so far behind some of his Orbit colleagues in beastliness to the Western Missions may rather be sought in the particular problems of the Hungarian economy. I would therefore expect that if Mr. Rakosi now sees no prospect of renewing trade

¹¹⁶ TNA, FO 371/87827, Wallinger to Bevin, 25 October 1950; TNA, FO 371/100561, Hankey to Hohler, 6 June 1952.

¹¹⁷ TNA, FO 371/87826, Wallinger to Bateman, 8 February 1950.

¹¹⁸ TNA, FO 371/87816, Wallinger to Bevin, 14 February 1950.

¹¹⁹ TNA, FO 371/106279, comments by A. Nutting in the House of Commons, 14 April 1953.

talks with the United Kingdom — a matter to which, on any rational study of this country's situation, he must attach great importance — we in this Legation can expect the heat to be turned on in earnest.¹²⁰

Hostility flared up immediately between the two states, leading to a total severance of cultural relations. Smashing 'Britain's shop window',¹²¹ the Hungarians roundly condemned the British Council as an intelligence organization, and on 9 March 1950 served its Budapest staff with notice to leave. The issue at stake was 'the maintenance of British prestige' in Hungary. The outlook for any influential British role there was extremely bleak:

The recent expulsion of the British Council from Hungary without any valid basis shows by itself that the Hungarian authorities intend actively to prevent the presentation here of the British point of view. The first and obvious conclusion is that it must therefore be worth our while to continue the attempt. We should, however, realise that as the Sovietisation of education, using the word in its broadest sense, succeeds in creating the desired distortion of the Hungarian mind, (which, in the long run, it is likely to do despite Hungary's traditionally Westward urge) so will the possibilities of our finding fertile ground for our ideas be restricted.¹²²

In the papers of Rákosi's secretariat, there is a file containing specific instructions for an anti-British line of questioning during the trial. The three essential tasks of the prosecution were to implicate members of the British Legation in espionage; to force an admission that British businesses were acting as cover for intelligence operatives; and to pose the question of whether the British Council was involved in espionage. There was an added warning for the uninitiated: 'needless to say, the question should only be asked if a positive answer can be assured.'¹²³

During the trial the 'right' answer was given. In response, the British government opted 'simply to lop off one Hungarian body in retaliation for their lopping off one of ours',¹²⁴ and on 18 April 1950 announced the closure

¹²⁰ TNA, FO 371/87826, Wallinger to Younger, 26 April 1950.

¹²¹ TNA, FO 371/59050, report by the British parliamentary delegation that visited Hungary between 23 April and 5 May 1946.

¹²² TNA, FO 371/87826, Wallinger to Younger, 26 April 1950.

¹²³ MNL OL, M-KS 276.f. 65.cs. 184.ő.e., papers of Rákosi's secretariat, documents relating to the activities of the ÁVH, 1949–55.

¹²⁴ TNA, FO 371/87829, minute by Talbot, Southern Department, Foreign Office, 19 May 1950.

of the Hungarian Cultural Institute in London. The damage done to Anglo-Hungarian cultural relations took decades to repair. In 1963 the British Council restarted its activities in Budapest, albeit on a very modest scale, working with a skeletal staff within the confines of the Legation; only in 1992 did it move to separate offices. The Hungarian Cultural Centre, which superseded the Hungarian Cultural Institute, opened its doors in London in 1999.

When it came to the expulsion or voluntary withdrawal of Legation staff, the stakes were much higher. The British Minister, together with his American counterpart, put up a stiff resistance. It seemed plausible that Rákosi, if pushed, would be ready to break off relations with both states. Hard-line members of the Hungarian Diplomatic Service could barely hide their glee at the discomfort of their Western colleagues. In February 1950 the Hungarian Minister in Washington (and future Foreign Minister), Imre Horváth, in the course of polite small talk, made an unusually insolent admission to the British Ambassador. He expressed delight at the prospect of closing the Hungarian mission and returning to Hungary:

Horváth admitted quite cheerfully that there was a likelihood that relations between the United States and Hungary might be broken off as a result of the trial and that he himself would be recalled to Hungary. [...] But he said that from the purely personal point of view he would be only too glad to go back to Hungary, as he has no liking of the United States. He would not, therefore, really be very sorry if a breach of relations did occur.¹²⁵

In Whitehall it was taken for granted that 'the ultimate object' of the Eastern European satellite states was 'either to get rid of the diplomatic missions of the Western Powers entirely or otherwise reduce them to complete impotence'.¹²⁶ Whether the Soviets intended such drastic outcomes for the Western observers in their backyard was less clear. As Wallinger reasoned:

I cannot for the life of me see why, if that is the Russian intention, we have not already been flung out, or at least 'pruned'. I suppose that the fact of the matter is that the Russians have to weigh the value to them of the Satellite Missions in Western capitals against the disadvantages of having people like me trundling around their satrapies.¹²⁷

¹²⁵ TNA, FO 371/87811, B. Burrows to Rumbold, 6 February 1950.

¹²⁶ TNA, FO 371/87826, minute by Bateman of his conversation with the former head of the Hungarian mission in Britain, István Bede, 27 February 1950.

¹²⁷ TNA, FO 371/87826, Wallinger to Bateman, 8 February 1950.

The American and British legations had to scale down their activities, but Hungarian ploys to radically cut their staff numbers were resisted. Assuming that the objective of the Hungarians was 'to render our missions useless', it appeared to the British Minister 'disingenuous to suggest discussing with them any arrangements for "operation on a reasonable basis"'.¹²⁸

The then Foreign Minister, Gyula Kállai, demanded the withdrawal of no less than 80 per cent of the staff of the British Legation, or some forty out of fifty employees.¹²⁹ Eventually, five Britons and four Americans were recalled from their missions in Hungary, and the danger of further escalation was averted. In spite of occasional calls in Westminster during the early 1950s for a severance of relations with Hungary, the British presence in the country was maintained. The Legation 'continued to provide a channel for communications', even though it was 'increasingly prevented from exercising the normal complementary function of negotiation'. Wallinger reminded the Foreign Office:

As to the function of providing information to His Majesty's Government, we in Budapest still have opportunities of travel and incidental personal contact not available to the members of His Majesty's Mission in Moscow [...]. It is a fact, for instance, that my Service Attachés can cover the country and compare the results of their observations with those of certain of their Western colleagues; and that this has undoubtedly enabled them to provide me and their Departments with certain fairly positive assessments on such important matters as the strength of the Soviet Forces in Hungary. I am, indeed, amazed that our 'espionage' facilities have not been far more severely restricted before now; and I cannot pretend that I am optimistic as to the future.¹³⁰

Such facilities of foreign missions in Budapest were soon curtailed. As well as engaging in a reciprocal 'visa war', the Hungarians imposed strict travel restrictions within the country. Hankey, having succeeded Wallinger as Minister, could only wonder what exactly it was the Hungarian government was trying to hide 'by putting almost all of their country out of bounds to diplomats'.¹³¹ Although the British mission carried on producing a bulletin which, even at the height of the spy mania, reached some 6,000 readers

¹²⁸ TNA, FO 371/87811, telegram from Wallinger to the Foreign Office, 27 February 1950.

¹²⁹ Szörényi, 'A brit-magyar diplomáciai kapcsolatok', p. 77.

¹³⁰ TNA, FO 371/87826, Wallinger to Younger, 26 April 1950.

¹³¹ TNA, FO 371/100560, memorandum by Hankey, 1 February 1952.

in Budapest every day, personal contact between British representatives and the Hungarian public was becoming more difficult.¹³² The British Legation itself was described by Wallinger in his valedictory despatch as a 'psychological ghetto',¹³³ which he left with an enormous sense of relief. Hankey summed up similarly his first impression of Budapest in June 1951: 'I doubt if I have been in a town where everyone appears to be so anxious and depressed.'¹³⁴

Inexplicably, the Hungarian government kept up the pretence that it still cared about Anglo-Hungarian relations. The ever more 'obnoxious' Berei maintained that 'all the controversial and improper accusations' came from the British side, and that 'the poor Hungarian Government was as white as driven snow'.¹³⁵ At the same time, the failure to free Sanders was turning into an issue of wounded British pride. The negative comparisons with the United States, and the rising public demands for decisive action, generated further embarrassment. For all the slogans about 'hard-hitting trade measures' and 'hard-headed diplomacy', Britain's reputation suffered a blow.¹³⁶ As a disgruntled citizen, the Reverend Ivan Young, complained to the Foreign Secretary:

One cannot but think that this affair will have the most unfortunate effect, touching the prestige of this great country throughout Eastern Europe. The growing tendency to treat this country as a door-mat upon which these upstart little States, safe under Russian domination, may wipe their feet with impunity cannot, surely, be met with the kind of exhortation to be associated with one's maiden aunt!¹³⁷

'A grit of sand in the machine'

Soviet politicians, if at all allowed to be drawn on the 'internal' affairs of Hungary, tended to play down the significance of the Sanders incident. In May 1953 the former Soviet Minister of Trade, Anastas Mikoian, at a dinner conversation with Harold Wilson, likened the British grievance against Hungary to 'a grit of sand in the machine, which it was a small matter to remove in order to set machinery working again'.¹³⁸

¹³² TNA, FO 371/87826, Wallinger to Rumbold, 26 April 1950.

¹³³ TNA, FO 371/95197, Wallinger to Morrison, 21 April 1951.

¹³⁴ TNA, FO 371/95181, Hankey to Strang, 8 June 1951.

¹³⁵ TNA, FO 371/106279, Hankey to W. L. S. Churchill, 23 April 1953.

¹³⁶ TNA, PREM 11/454, telegram from Hankey to the Foreign Office, 10 February 1953.

¹³⁷ TNA, FO 371/87815, I. R. Young to Bevin, 12 March 1950.

¹³⁸ TNA, FO 371/106282, memorandum by Hohler, 10 August 1953.

The opposition Labour politician's unofficial negotiations in Moscow, followed up by a brief impromptu visit to Budapest, almost certainly contributed to the eventual release of Sanders. After all, it was Wilson who suggested to the Hungarians that they 'make a grand gesture' using amnesty to settle the dispute.¹³⁹ In Moscow, during a friendly dinner, the English guest put it to his host that 'there would be no Anglo-Hungarian trade for the next 14 years' unless the Soviets intervened on behalf of Sanders.¹⁴⁰ A couple of days later, in Budapest, Wilson was 'chased all day by the Hungarian Trade Delegation'.¹⁴¹

Be that as it may, the disagreement over Sanders was not easily resolved. Despite Stalin's death, and a tentative British approach to the Soviet Foreign Minister, Viacheslav Molotov, the deadlock remained. It was evident from the outset of the crisis that Hungary's 'economic requirements as such' were 'of very secondary interest to the Russians'.¹⁴² Consequently, the Kremlin's involvement was singularly unhelpful. The Hungarians wanted economic gains, whereas the Soviets were concerned about appearances and political point-scoring. Rákosi's desire to satisfy all of these criteria only added to the delay in the resolution of the conflict.

From the beginning the Hungarian negotiators were hesitant to state their terms exactly, which made their British counterparts extremely nervous. In the words of Hilary Young: 'when it comes to guessing what the Hungarians ultimately hope to get out of all this, one is left without any real clue.'¹⁴³ Moreover, the British representatives were just as unsure about what, and how much, they could possibly concede without causing damage to Britain's economy or prestige. The resulting confusion and undignified haggling dragged on until August 1953.

As early as May 1950 Wallinger had broached the idea of financial and trade talks, but with the precondition of Sanders' release. Berei had rejected the offer out of hand, but not without hinting that Hungary was after economic gains, such as the restitution of Hungarian goods from the British occupation zones of Germany and Austria. Arguably, Hungarian expectations were as unrealistic as they were ill-defined. Bullish diplomatic staff urged Rákosi and Berei to hold out for a higher bid. Elek Bolgár, the Hungarian Minister in London, explicitly advised Berei:

¹³⁹ TNA, FO 371/106281, telegram from R. M. Saner to the Foreign Office, 23 May 1953.

¹⁴⁰ TNA, FO 371/106281, telegram from A. Gascoigne to the Foreign Office, 22 May 1953.

¹⁴¹ TNA, FO 371/106281, minute by Hohler, 27 May 1953.

¹⁴² TNA, FO 371/87861, Wallinger to Younger, 21 July 1950.

¹⁴³ TNA, FO 371/87811, W. H. Young to Rumbold, 14 September 1950.

I am convinced that the British government is ready to make much greater concessions for the release of Sanders, not only in reducing their diplomatic representation in Budapest but also in other respects. After all, the Americans have created a precedent [...] and at the right moment we can, without pushing our luck too far, set them against the British to soften their resilience.¹⁴⁴

Instead of being coaxed into submission by the Americans, the British government was vocal in its disapproval of the deal struck by the State Department, which involved lifting the ban on travel to Hungary by American citizens, reopening the consulates in Cleveland and New York, releasing Hungarian assets from the American-controlled zone of Germany and changing the frequency of the Voice of America, so that it no longer interfered with one of the main stations of the state-owned Hungarian Radio. Whilst the Americans maintained that this was a small price to pay, and the Foreign Office was under mounting pressure from the Sanders family and the British public to follow suit, the British government stood firm.

British objections to Hungarian blackmail were reinforced when Berei double-crossed the Americans.¹⁴⁵ An agreement about Vogeler's release had already been reached on 15 July 1950, but in response to 'premature and distressingly accurate publicity about the nature of the bargain', the Hungarians started to stall.¹⁴⁶ Unexpectedly, Berei then appended to his desiderata the return of the Holy Crown to Hungary. The wrangling over this artefact, described by the Communists as an 'article of artistic value',¹⁴⁷ is one of the better-known aspects of the American-Hungarian negotiations.¹⁴⁸ Here it is merely mentioned, in passing, because of its impact on British strategy. The Rákosi regime's 'inaction, evasions, and bad faith' did not inspire confidence in London.¹⁴⁹ At the same time, the American negotiators appeared to be overly compliant.¹⁵⁰ The readiness of Washington to pay ransom for four pilots shot down over Hungary

¹⁴⁴ MNL OL, XIX -J-1-u, box no. 4, Berei papers, E. Bolgár to Berei, 31 May 1950.

¹⁴⁵ TNA, FO 371/87827, telegram from Wallinger to the Foreign Office, 18 December 1950.

¹⁴⁶ TNA, FO 371/87861, Wallinger to Younger, 21 July 1950.

¹⁴⁷ TNA, FO 371/87811, Wallinger to Talbot, 30 November 1950.

¹⁴⁸ M. Mevius, 'A Crown for Rákosi: The Vogeler Case, the Holy Crown of St Stephen, and the (Inter)national Legitimacy of the Hungarian Communist Regime, 1945-1978', *Slavonic and East European Review*, 89, 2011, 1, pp. 76-107.

¹⁴⁹ TNA, FO 371/87811, Wallinger to Talbot, 30 November 1950.

¹⁵⁰ A. Szörényi, 'Adalékok a Vogeler-ügy diplomáciatörténetéhez, 1949-51', *Külliügyi Szemle*, 11, 2013, 1, pp. 141-71 (p. 160).

intensified the British unease, leading to the verdict: 'While there is no reason for us to criticize the United States Government gratuitously, I think that we should be prepared to say we do not agree with their policy.'¹⁵¹

When Vogeler was freed in April 1951, and the onus was on the Foreign Office to find a similar solution, the American example was not just unappealing but impracticable. The BBC had not interfered with the frequency of Hungarian radio stations, and the monetary or symbolic value of Hungarian goods in the British zone of Germany was comparatively little. Moreover, Britain had no Hungarian consulates to shut down (or reopen); in London there was only a Hungarian club. Although it was rightly regarded as a 'communist front-organisation', most of its radical leftist members had gone back to Hungary.¹⁵² Consequently, it was run by British citizens, and a legally acceptable way of closing it was hard to contrive. In any case, the club posed no security risk, and did not warrant intense surveillance. As an MI5 officer reported to the Foreign Office:

Whilst the Hungarian Communist Party and the Legation wish the Club to attract Hungarian working-class elements and influential naturalised members of the professional classes, the fact is that the Club is chiefly patronised by the lowest middle-class Jewish business men and a decreasing number of female domestic servants. Public interest in the Club events has decreased and the attendance at meetings is small.¹⁵³

When faced with calls for all Hungarian cultural activities in Britain to be banned, the Foreign Office averred: 'Communism has not been outlawed and we still uphold the right of free speech.'¹⁵⁴ Then, in the light of a later MI5 report that the 'activities of the Club have been limited to the weekly Thursday evening tea-party and Saturday night dance, at which the Hungarian female element is said to predominate', the matter of closure was quietly dropped.¹⁵⁵

Meanwhile, discussions in Whitehall as to whether to negotiate with or retaliate against the aggressor state, proved futile. Without support from the Commonwealth, Britain was in no position to squeeze Hungary economically, and such assistance was not forthcoming. The sole attempt

¹⁵¹ TNA, FO 371/100561, Hohler to P. Mason, undated.

¹⁵² Paloczi-Horvath, *The Undefeated*, p. 119.

¹⁵³ TNA, FO 371/87828, MI5 report by G. R. Mitchell on the activities of the London Hungarian Club, 3 May 1950.

¹⁵⁴ TNA, FO 371/87829, minute by Bateman, 25 May 1950.

¹⁵⁵ TNA, FO 371/87828, MI5 report by Mitchell on the activities of the London Hungarian Club, 18 September 1950.

to use Commonwealth connections — a madcap scheme of Hankey's by means of which the Hungarians would be offered a consulate in Ottawa in exchange for Sanders — was rejected by the Canadians.¹⁵⁶ Unlike the United States, the United Kingdom had neither tempting inducements nor weighty sanctions to deploy. British representatives in Budapest could 'rely on little but bluff, and eloquence and blarney', which was a sad reflection on a great power in steady decline.¹⁵⁷

As for trade, the first definite offer came on 18 December 1950 from the Hungarians, who asked for 5,000 tons of copper and 2,000 tons of lead in return for Sanders. Experts confirmed that 'Berei has chosen two difficult commodities on both supply and strategic grounds'.¹⁵⁸ But irrespective of Britain's shortage of copper and surplus of lead, the Overseas Negotiations Committee categorically vetoed the plan 'to buy Mr Sanders' freedom'. The notion of making a fresh offer was preferred, even though the proposed combination of 'legitimate inducements, and threatened sanctions' presented no real prospect of success.¹⁵⁹ Lord Talbot de Malahide acknowledged the resulting stalemate:

Much as we should like to secure the release of Mr Sanders and conclude a trade agreement with the Hungarians, we are in no desperate hurry for either. [...] Our best tactics surely are to bide our time and wait till they reduce their terms to ones which we can reasonably accept.¹⁶⁰

As the absence of trade relations only seriously hurt Hungary, the Foreign Office could afford to sit and wait, although it made a mockery of the continuing efforts of the British Legation in Budapest on behalf of Sanders. Hankey floated the idea of financial concessions, and even mooted a relaxation of import restrictions, but to no avail. All these half-hearted gestures merely strengthened Rákosi's determination to press for a better deal.

In Britain the Tory electoral victory of October 1951 heightened hopes of a more forceful policy against the satellite states. In reality, however, Winston Churchill's government in 1952–53 was just as ineffective as its predecessor. The Labour MP Ernest Davies posed as Sanders' champion in the Commons, calling him a 'forgotten man' and relentlessly chastizing

¹⁵⁶ TNA, FO 371/106281, minute by Mason, 19 May 1953.

¹⁵⁷ TNA, PREM 11/454, telegram from Hankey to the Foreign Office, 9 February 1953.

¹⁵⁸ TNA, FO 371/87827, Talbot to Wallinger, 22 December 1950.

¹⁵⁹ TNA, FO 371/100561, paper prepared as background material on the Sanders case for the Overseas Negotiations Committee meeting on 18 February 1952.

¹⁶⁰ TNA, FO 371/87827, minute by Talbot, 20 December 1950.

Tory foreign policy.¹⁶¹ Hence, the future of Sanders gradually turned into a partisan issue. An agitated Mancunian, a Mr Barker, impudently wrote to the Prime Minister, wishing him to spend a short spell in a Hungarian prison as a corrective to his policy on Hungary.¹⁶² In truth, neither the government nor the opposition had a clear view on how to resolve the conflict.

In December 1952 the Hungarians revealed an entirely new strategy. The latest Foreign Minister, Erik Molnár, informed Hankey that Hungary was no longer looking for economic or financial concessions. A month on, he followed up with a bold proposal for a prisoner exchange, mixing Anglo-Hungarian relations with British imperial affairs. Molnár offered Sanders for Lee Ten-tai, alias Lee Meng: a 25-year-old Chinese girl, under sentence of death for the possession of arms in Malaya.

The Foreign Office suspected Chinese interference, but the Commissioner General for the United Kingdom in South East Asia, Sir John Sterndale Bennett, affirmed that 'the Lee-Meng proposal was inspired by Budapest-Moscow rather than Peking-Malaya'.¹⁶³ Courtenay Young, head of Security Intelligence Far East, came to the same conclusion:

My view is that the exchange was Moscow-inspired with a primary propaganda appeal; that Peking and the [Malayan Communist Party] did not come into it and that if it had succeeded Moscow would have got its propaganda value and Budapest might have got relaxation of the trade ban.¹⁶⁴

The British assessment was accurate; the documents indicate that, once again, the initiative hailed from Rákosi himself.¹⁶⁵ According to his memoirs, he had initially suggested freeing an African freedom fighter such as Jomo Kenyatta, but Molotov laughed off the idea. In any case, Hungary did not stand to benefit from human barter involving foreign revolutionaries, and the political quid pro quo was assuredly designed to secure Soviet approval.¹⁶⁶

For Britain, the unusual offer promised to terminate the 'long wrangle with the Hungarian Government'. Heartened, the Secretary of the Cabinet, Norman Brook, described the offer to Churchill as

¹⁶¹ TNA, FO 371/106279, Hankey to Churchill, 23 April 1953.

¹⁶² TNA, FO 371/106279, Barker to Churchill, 28 March 1953.

¹⁶³ TNA, FO 371/106280, J. C. Sterndale Bennett to R. H. Scott, 28 April 1953.

¹⁶⁴ TNA, FO 371/106280, memorandum by C. Young, undated.

¹⁶⁵ TNA, PREM 11/454, telegram from L. H. Lamb to the Foreign Office, 12 May 1953; TNA, FO 371/106280, Hohler to Saner, 14 May 1953.

¹⁶⁶ Szörényi, 'A brit-magyar diplomáciai kapcsolatok', p. 80.

'advantageous'.¹⁶⁷ However, the Cabinet quickly judged that, quite apart from the constitutional problem inherent in superseding the prerogative of the Sultan of Perak, the exchange was 'almost impossible to justify' to the British public.¹⁶⁸ In addition, the High Commissioner for the Federation of Malaya, General Sir Gerald Templer, expressed the uncompromising and unsentimental view of several Tory diehards:

The life of one Malayan terrorist on the one hand and the life of a Briton gaoled in Hungary on the other hand (with all my sympathy and apologies to Mrs. Sanders) are, in my humble view, unimportant to the vital strength of the world of freedom now fighting against communism.¹⁶⁹

Despite the global pretensions of the Hungarian regime, the release of Sanders when it finally happened was a purely domestic development. On 18 August 1953 the prisoner was freed as an act of clemency. This was not an achievement of painstaking diplomacy, or of economic coercion, but a consequence of a fresh course in Hungarian politics. The weakening of Rákosi's power, and the emergence of Imre Nagy as Moscow's new favourite, created the necessary atmosphere for a rapprochement with Britain. Even after Stalin's death, the settlement of diplomatic disputes with the West was not high on the Soviet agenda, and the Kremlin would discourage the extension of amnesty to foreign prisoners.¹⁷⁰ Nagy, like his political nemesis Rákosi, was apt to use his own initiative whilst consulting the Soviets every step of the way. Ten days before the announcement of the amnesty, he informed the Soviet Ambassador in Budapest, Evgeni Kiselev, of the Hungarian government's intent.¹⁷¹ The Ambassador did not demur. This case study in Hungarian foreign policy attests that, in spite of the constraints of Soviet imperial control, Moscow's client states enjoyed a certain room for manoeuvre.

Britain paid nothing for the release of Sanders, thereby scoring a propaganda victory for the Foreign Office. Yet the conflict, which was drawn out so interminably, had a damaging impact on Britain's reputation as an imperial power. The Lee Meng proposal demonstrates that the Soviets

¹⁶⁷ TNA, PREM 11/454, N. Brook to Churchill, 11 February 1953.

¹⁶⁸ TNA, PREM 11/454, Cabinet minute, 17 March 1953.

¹⁶⁹ TNA, PREM 11/454, telegram from G. Templer to the Secretary of State for the Colonies, 10 March 1953.

¹⁷⁰ J. M. Rainer, *Nagy Imre: Politikai életrajz, ii: 1953–1958*, Budapest, 1999, pp. 25–26.

¹⁷¹ M. Baráth (ed.), *Szovjet nagyköveti itatok Magyarországról 1953–56: Kiszeljevoj és Andropov jelentései*, Budapest, 2002, p. 70, memorandum by E. Kiselev about his conversations on 7 August 1953 with I. Nagy, 10 August 1953.

and their clients were well aware of this perceived vulnerability. Hungary, for its own part, suffered serious economic and financial losses. Severing commercial relations proved considerably easier than re-establishing them. By 1953 the Board of Trade was in no hurry 'to comply with the wish of the Hungarians' for a trade agreement, 'just because they [had] released an innocent man'.¹⁷² In August 1953 even the Foreign Office exhibited scant enthusiasm for further negotiations, 'as we have little to offer and little we really need from Hungary'.¹⁷³ The British government lifted the embargo, but the normalization of economic and diplomatic relations took far longer than expected. The Hungarian-British financial and trade agreement was concluded as late as June 1956. The conflict therefore overshadowed the whole epoch of Anglo-Hungarian relations from 1949 to 1956.

Conclusion

Why did Hungary, a strategically and economically vulnerable state, enter so recklessly into a diplomatic confrontation with the United Kingdom? Why, after Vogeler had been released, were British moves to end the diplomatic feud rebuffed? Even allowing for the major decline of British power and for the Soviet support of Hungarian foreign policy, one is struck by the imprudence (and extreme impudence) of the Rákosi regime in courting the censure and contempt of two great powers.

The Hungarian dictator himself was not insensible to the absurdity of picking such fights. Feigning indignation, he asked why a small country like Hungary would 'desire to be involved in conflicts with Tito or Anglo-Americans'.¹⁷⁴ The full answer to his question may only be found in the Russian archives, amongst the classified holdings of the security services. Still, British and Hungarian documents make it sufficiently clear that Rákosi, second-guessing Stalin's intentions, took the initiative and commanded the campaign against the United Kingdom. His hostility to Britain may primarily have been a ruse to play down his former ties with that country, but it was also shaped by his fears of London's enduring influence. Moreover, like his regional competitors, such as Gottwald in Czechoslovakia and Gheorghe Gheorghiu-Dej in Romania, Rákosi 'operated in an almost Byzantine network of personal rivalries and

¹⁷² TNA, FO 371/106292, minute by Nutting on Anglo-Hungarian trade, 2 September 1953.

¹⁷³ TNA, FO 371/106282, Foreign Office telegram to the British Legation in Budapest, 27 August 1953.

¹⁷⁴ TNA, FO 371/87815, telegram from Wallinger to the Foreign Office, 12 February 1950.

clandestine conflicts'.¹⁷⁵ Ever seeking scapegoats for his regime's political problems and economic failures, whilst continually vying with satellite leaders for Stalin's favour, he hoped to gain advantage by assailing the British left.

The Sanders affair was rooted in Anglo-Hungarian relations, and in Labour's covert anti-Communist role, during the coalition era. Whilst the vicious attack on Britain seemed to square with Soviet propaganda against 'imperialists', it had an added personal impetus. Revealingly, the Rákosi regime expelled more British than American diplomats, and found it much easier to strike a deal with the United States than with the United Kingdom.

Undoubtedly, the negotiations about Sanders were profoundly affected by the Korean War. The Slánský trial, and the release of the American journalist William Oatis in Prague impacted on the Hungarian attitude, too. British observers rightly suspected that the Lee Meng offer at the start of 1953 and the U-turn on concessions at the close of 1952 were motivated by a desire to avoid the mistake of the Czechoslovak Communists in 'sacrificing political security to economic expediency'.¹⁷⁶ Nevertheless, most of the delays in finding a settlement stemmed from the conviction of Rákosi, Gerő and Berei that a waiting game would profit Hungary. Quite mistakenly, they assumed that trade would be a similar imperative in London and Budapest. Furthermore, they trusted that the American example would be emulated by the British.

Fittingly, having fallen victim to Rákosi's foreign policy ambitions, Sanders was pardoned by the Nagy government, which had set Hungary on a different course. The amnesty was not negotiated with the British Minister, however, but with the Soviet Ambassador. Consequently, the Foreign Office remained understandably sceptical about any prospect of substantial political change in Hungary. Reservations about the reformist credentials of Nagy persisted even in 1956, and arguably contributed to British detachment during the Hungarian Revolution.

In the three decades under János Kádár, the Sanders case was all but forgotten. Reflecting on the case, a former British Ambassador to Hungary (1980–83) commented that he 'would have expected it to have had a longer life in the folk memory of the Embassy', but he did 'not recall any mention

¹⁷⁵ K. McDermott, 'Stalinist Terror in Czechoslovakia: Origins, Processes, Responses', in McDermott and Stibbe, *Stalinist Terror in Eastern Europe*, pp. 98–118 (p. 112).

¹⁷⁶ TNA, PREM 11/454, memorandum by the Chancellor of the Exchequer to the Cabinet Economic Policy Committee on the Sanders case, 21 May 1953.

of it, by either British or Hungarian staff'.¹⁷⁷ Yet in the field of cultural relations, the remembrance of the conflict never faded completely. At the time of Margaret Thatcher's much-publicized visit to Budapest in February 1984, the Hungarian government was still refusing to confer formal recognition on the British Council. Contrary to the prevailing spirit of diplomatic rapprochement, Hungarian Foreign Ministry officials continued to fret about the 'unsolicited political demand' for a British cultural institute in Budapest,¹⁷⁸ and to repudiate requests that the Cultural Attaché be acknowledged as the representative of the British Council. Any attempt to revisit the Sanders case, or to confront its cultural legacy, was stubbornly resisted. Only after the fall of Communism in Hungary was the British Council permitted to expand its activities beyond the confines of the British Embassy.

¹⁷⁷ Email from B. Cartledge to the author, 11 July 2014.

¹⁷⁸ MNL OL, XIX -J-1-j (Anglia) 1985, box no. 35, memorandum by J. Bényi, 6 December 1984.